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TOWARDS A MINERAL POLICY FOR CANADA

NOTES FOR A SPEECH

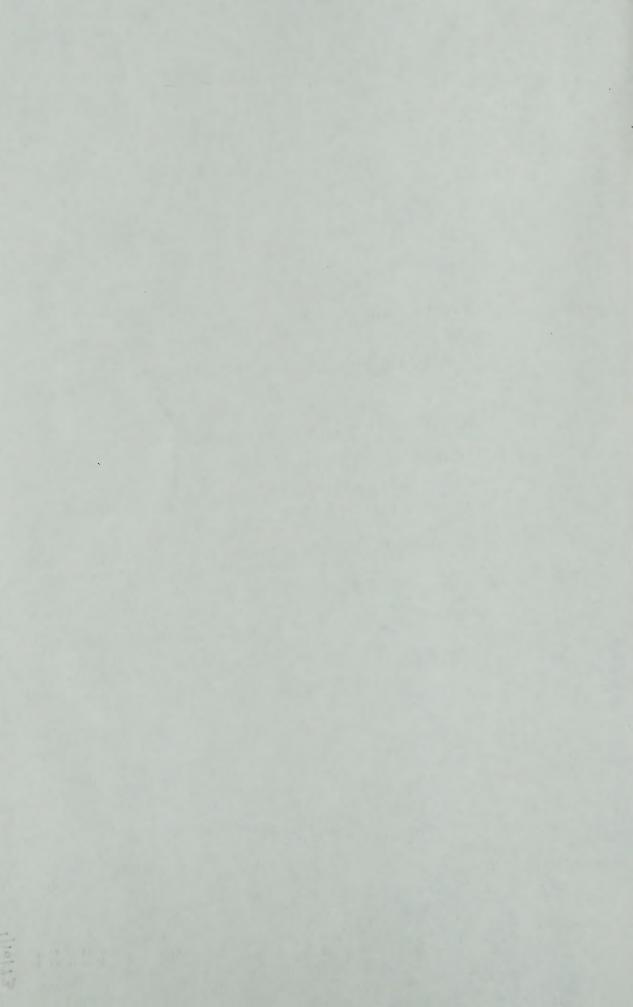
BY

THE HONOURABLE DONALD S. MACDONALD MINISTER OF ENERGY, MINES AND RESOURCES

AT THE

ANNUAL CONFERENCE OF PROVINCIAL MINES MINISTERS
OCTOBER 1, 1973, VICTORIA, BRITISH COLUMBIA

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TOWARDS A MINERAL POLICY FOR CANADA

I INTRODUCTION

Mr. Chairman, Ladies and Gentlemen,

At the outset I wish to thank you for your invitiation to address this, the thirtieth anniversary session of the Conference of Provincial Ministers of Mines. In the matrimonial tradition, a thirtieth anniversary is marked by partners exchanging gifts of pearls. In this context I am not sure that my remarks this morning will be viewed by those present as pearls of wisdom. I do sincerely hope, however, that the provinces and the federal government will continue, despite our moments of disagreement, as partners in a relationship that will eventually result in the implementation of policies beneficial to all Canadians.

This is the second occasion on which I have been extended the privilege of addressing this conference. And this is possibly one of the most important meetings of this forum for it is my understanding that both the role of participants and the very nature of the Provincial Mines Ministers Conference as a component of the policy consultative process are about to be critically assessed. This evaluation is extremely timely, moreover, for Canada is heading into a period of significant expansion in the mineral sector.

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Over the last year, my officials concerned with minerals, exclusive of energy commodities, have taken a close look at the mineral sector from several different perspectives. Their aim was to gain broad insights into

- The magnitude of future sector development to 2000;
- . The impact of this development on the Canadian economy; and
- The economic and social suitability of the various policy choices open to us in the next few decades.

Here are some of their main conclusions:

Mineral activities in Canada provide the basis, directly and indirectly, for about 8% of all employment and 14% of total Canadian GNP. Minerals account directly for 8% of all investment, and for some 25% of all Canadian export earnings. Economic activities related to mineral exploration, development, processing, manufacturing, transportation and marketing permeate virtually all other sectors and regions of the economy.

Of particular interest here is that mineral industry output is an important proportion of total output in each main region of Canada. For example: Atlantic Provinces 23%, Quebec 15%, Ontario 15%, Prairies 13%, and British Columbia 17%.

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World demand for minerals will increase substantially in the years ahead. Based on these demands, and taking into account Canada's position as a major world producer, Canadian mineral output is expected to triple by the year 2000. The value of sector output will top \$12 billion, exclusive of oil and gas. And, inherent in this growth are opportunities for increased industrial diversification; increased corporate, personal and government incomes; and increased employment. This represents a major new block of economic activity. Furthermore, the magnitude of sector growth I have just forecast provides those responsible for managing Canada's mineral heritage a unique opportunity to influence the extent, character and timing of Canadian economic development in the years ahead.

Canada's mineral endowment is large, diversified, and widely distributed. Available information assures us that our known reserves and future discoveries will support the anticipated growth at least to the close of this century provided that exploration and technological advance keep pace. I would caution that, with respect to resource adequacy, there will be an increased need to monitor our mineral supply position relative to exports and long-term domestic needs.

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Although our mineral endowment is not unlimited I feel we have the resources in the ground and can achieve the technological capability to sustain the growth I have portrayed to you this morning. The real challenge lies in our ability to obtain from this growth optimum benefits for the Canadian people - benefits that are in keeping with changing social aspirations and economic needs. A good deal of competition will exist for the range of benefits inherent in future sector growth. Both external and internal forces will temper Canada's ability to increase domestic benefits from our own mineral endowment. The emergence of large trading blocs, the changing procurement policies of resource-consuming nations, the growing importance and mobility of international corporations, the increased competition from other mineral producing countries and the growing possibility of significant mineral supplies from ocean sources are major factors we will have to contend with.

We should, at the same time, recognize that many of these constraining forces can be viewed, given appropriate policy initiatives, as providing new avenues for realizing domestic objectives.

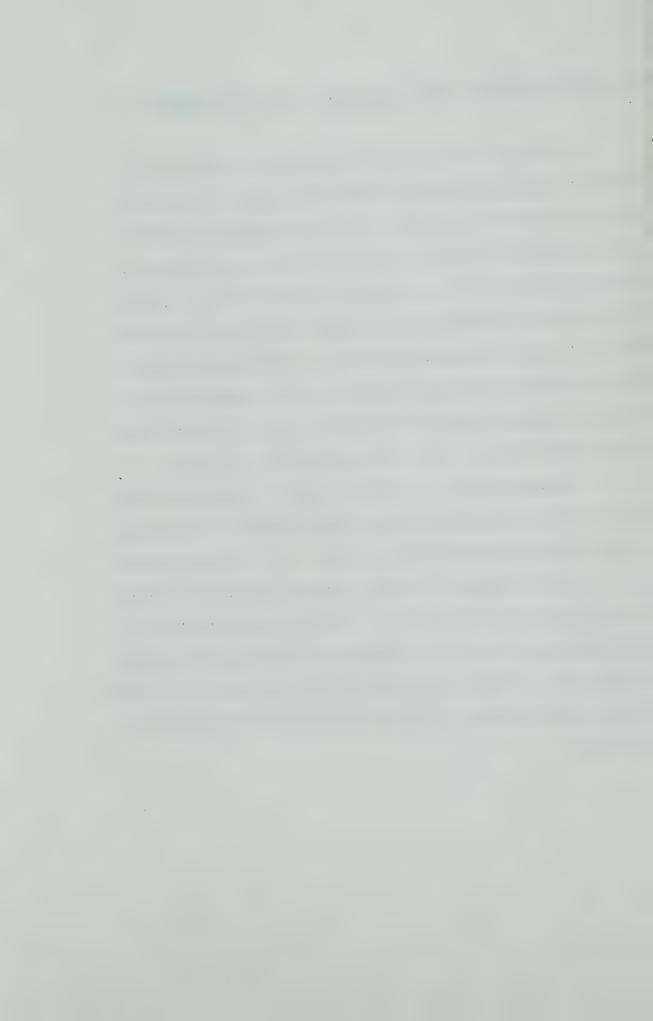
For example, I view our efforts to strengthen relations with other resource exporting as well as importing countries on mineral matters as crucial if Canadians are to reduce external constraints to improve domestic benefits from minerals.

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II TOWARDS A MINERAL POLICY FOR CANADA -- THE POLICY PROCESS

As the title for my talk states, we are now progressing towards a comprehensive mineral policy for Canada. This does not mean that Canada does not have a policy with respect to minerals at the present time. Quite the contrary! There is at present a large and diversified set of federal and provincial laws, regulations, practices, programs and agreements that affect how minerals are used to support Canadian objectives. Mineral policy should, I think, be viewed as the aggregate of all policy elements that influence the mineral sector of our economy, and, in turn, the impact of the mineral sector on the economy and society in general.

Mineral policy is a dynamic concept. It must evolve to reflect how Canadians perceive the mineral endowment as supportive to their aspirations for a strong economy, for a clean environment, and an increasing degree of national autonomy. Thus, what I wish to imply by the title of my talk is that, as we now move toward a so-called policy, we are going through a continuing process order to ensure that actions taken by government and industry are, to the fullest extent possible, compatible with the needs and desires of Canadians.



I would now like to illustrate the process of mineral policy formulation, implementation and evaluation. I view the process as having four basic components or phases, namely:

PHASE I The definition of policy goals and objectives.

PHASE II The definition of priorities amongst these

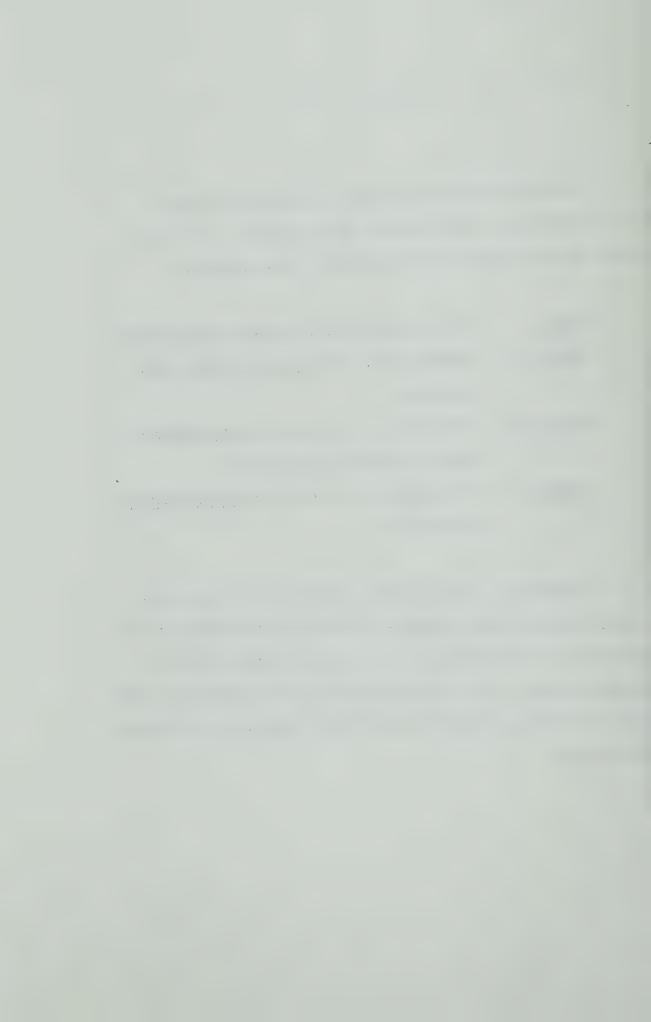
objectives.

PHASE III The definition of appropriate strategies to

achieve the priority objectives.

PHASE IV The evaluation of results and policy changes if necessary.

In addition, I would like to emphasize that during this process a number of key decisions and points of consensus must be strived for if a mineral policy is to be both timely and truly national in scope. Now -- where do we stand in the process at this moment, where have we come from, and, most important of all, where are we going?



Over the past year discussions between the federal government, the provinces and industry have intensified, resulting in a set of mineral policy objectives. If attained, these objectives would bring Canadians the greatest benefits possible from the present and future use of minerals. As one would guess, several conflicting views and contentious issues were raised and dealt with during these discussions. Not all conflicts were reconciled. Nonetheless, a major decision point was reached in Ottawa on April 13th when consensus amongst the provinces and the federal government was achieved on a set of policy objectives as a basis for further discussion. To add weight to this decision we agreed to publish the objectives in order to advise all interested parties, be they foreign or domestic, that these objectives would be central to our thinking as we proceeded to define new, and reshape existing policies on minerals. I don't intend to, and I am sure you would not wish me to portray the April 13th decision as a total break-through in policy relations between the federal and provincial governments. Nevertheless, an important and fundamental point of decision was reached. We laid a stepping stone from which to proceed. In defining these objectives, we have successfully tackled the first phase of the policy-making process.

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 I am sure that we will view these objectives as largely thematic in nature. We could not, even if we wished to, achieve all our objectives simultaneously. And this leads us into the second phase of the mineral policy process. We must now decide how to rank our objectives in order of priority. In other words, to what end mineral development? What do Canadians most want from minerals? Mineral utilization for what specific purpose?

These questions, fundamental as they are, have not been adequately answered, and their resolution will, I can guarantee, prove extremely difficult. Yet, as those responsible for defining appropriate policy directions, we have no choice but to seek out specific answers if we are to logically evolve a truly Canadian mineral policy.

Why do we find ourselves at such a fundamental and early stage in the policy process? Is it because we have neglected to keep pace in the past? Have former policy-makers been derelict in implementing meaningful and significant policies? No, this is not the point at all. In fact, I think that we would all agree that past policies with respect to minerals have served this nation very well for minerals are and are likely to continue to be a major cornerstone in the Canadian economy.



The critical point is this. Canadians view minerals as part of their national patrimony. They recognize that minerals play a central part in sustaining their economic wellbeing. Because of this Canadians are aspiring to even greater and perhaps somewhat different benefits from their mineral heritage than in the past. Social and economic priorities have changed, are changing, and will continue to change. The challenge is to ensure that policies with respect to minerals are in tune with these changing aspirations.

There is no shortage of opinions on how this can be done. The current spectrum of public debate on how minerals should be used is a wide one. To illustrate: there is an influential school of thought that advocates that current policies, perhaps with very minor modifications, are adequate to meet Canadian needs. Others feel that much more assertive policies should be implemented to ensure that minerals contribute more towards further diversification of the economy through the promotion of more mineral-based secondary manufacturing. Some view minerals primarily as a direct source of government revenues that could be used to finance a broad range of social and economic programs. These people say that we should increase financial rents possible by way of increased taxes, royalties and export prices. Another influential school of thought advocates the conservation of our mineral resources, the fear being that we are



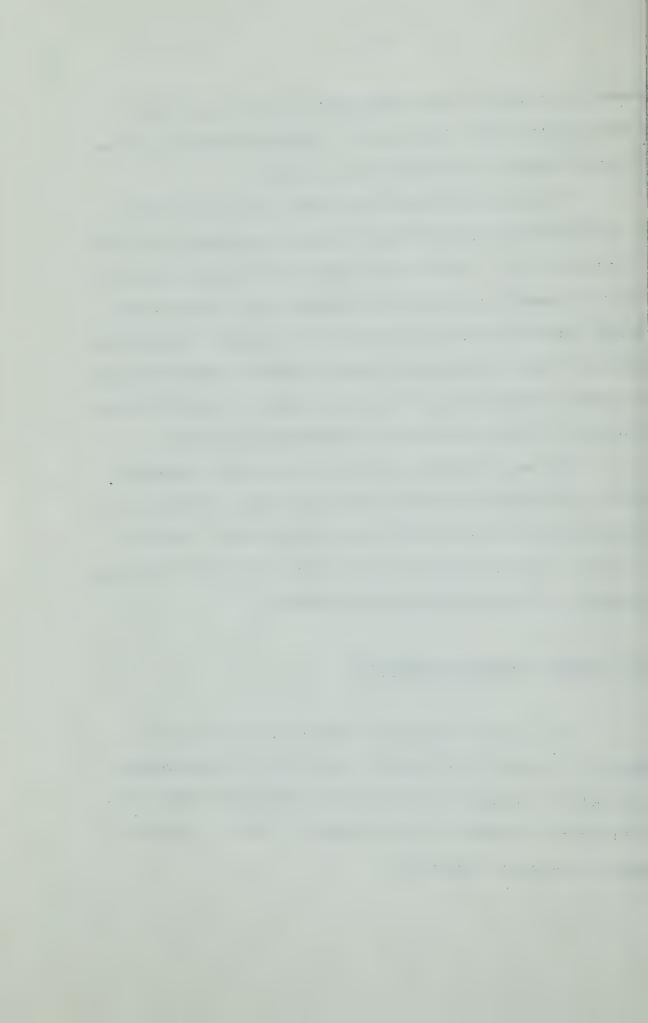
producing too much too fast without paying due attention to the economic needs of future generations. I view the foregoing spectrum of current thought as alternative policy choices.

I have no intention of being evasive when I say that all of these alternative policy choices have merit and deserve very careful consideration. The very diverse nature of the mineral industry both in a commodity and regional distribution sense dictates that through time each option may have particular strengths. These might hinge on changing international commodity markets or specific regional development considerations, to give two examples. I am sure that you recognize, as I do, the need for a flexible policy approach.

But we must decide on precisely what priority Canadians place on the agreed-upon mineral policy objectives, and hence on the alternative policy choices which I outlined previously. How best can such a decision be made? How best can we resolve the conflicting viewpoints on what Canadians want from minerals?

III A PROPOSAL ON POLICY PRIORITIES

The question of objectives (Phase I), and the relative emphasis or priority to be placed on them (Phase II), requires decision before beginning strategy review and formulation (Phase III). In the spirit of damned if I do and damned if I don't, I want to suggest an approach on priorities.



Economic Diversification: First, mineral policy should be shaped to emphasize, to the fullest extent possible, industrial development and diversification through minerals on both a national and regional basis.

Thus, whenever we look at the mineral industry generally, or at specific commodities, or at particular regions, our first efforts will focus on ways to develop and utilize minerals as far down-stream in the metallurgical processing and fabrication stage as possible. Such emphasis must be concerned with long-term commercial viability as well as the overall contribution to long-term Canadian development.

<u>Financial Returns</u>: As an alternative, the second priority emphasis should be the maximization of direct financial returns from mineral exports.

Thus, where individual commodities or particular regions do not represent an attractive opportunity for viable down-stream economic diversification, or where there may be a time-lag before further processing opportunities can be realized, then the emphasis should focus on the best financial flows for Canada.



Where future mineral-based activities are not contributory to economic diversification or financial returns, mineral policy must contain criteria on when and under what conditions developments would be deferred.

As an integral consideration of both the first and second priorities, the rate and pattern of mineral utilization would be altered where it appears that certain commodities may not meet future Canadian material requirements, or where the stability of established Canadian communities is threatened by too rapid a rate of exploitation.

Policy Balance: Concurrently, mineral policy must reflect the greater diversity of economic opportunity among regions throughout Canada while favouring greater Canadian participation and minimizing adverse environmental impacts. While the overall balance and emphasis will change through time, mineral policy must maintain its general goal of obtaining the best benefits for Canadians from minerals.

This proposed approach to priorities can serve as a basis for discussion, but many questions remain. Is this the economic and social thrust that most Canadians would want? Are there other characteristics that should receive attention? What criteria are required for decision-making? How might we best achieve the impacts sought?



It would indeed be foolhardy to assume for a moment that complete compatibility of views will exist. I think the very best we can hope for is that policy decisions made by governments will have the best net effects for all Canadians irrespective of their particular interests. Thus, the critical need is somehow to ensure that all of these key parties have the opportunity to participate in the policy process for, in the final analysis, those responsible for defining and carrying out mineral policies must interpret how the Canadian people wish mineral development in Canada to proceed. If opportunity for participation in the process is lacking, then the interpretation becomes increasingly difficult and the chances increase that policy decisions will not adequately reflect the legitimate desires and needs of the Canadian people.

IV ON CO-OPERATION IN THE POLICY PROCESS

At the April 13th meeting in Ottawa we arrived at a consensus on objectives for Canadian mineral policy for further discussion.

We also concluded on the importance of improved co-operation and I quote from our joint public statement:

... Ministers agreed to develop a strengthened and more formal mechanism for co-ordination and common policy development. Such a mechanism is essential for the formulation of mineral policies wich are national in scope.

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The need for improved consultation has long been recognized by both levels of government and by industry. We didn't invent the wheel on April 13th but we did make a mutual and formal commitment. In making this commitment we all recognize that certain degrees of freedom with respect to past behaviour must be foregone. What remains to be identified are some really quite fundamental, important and difficult considerations such as when must we consult?, on what specific matters? and with whom? It is my hope that answers to these pressing considerations will evolve during subsequent discussions on mineral policy.

To improve co-operation in the policy process requires a commitment, one that is a two-way street. No doubt both levels of government, and indeed industry, can produce a long list of instances where prior consultation, of a meaningful sort, was foregone for purposes of expediency. To be realistic, pressing circumstances in the future will give rise to unilateral action by both levels of government. This provides the basis for conflict and mistrust. Our problem is made even more diffcult by the very nature and dynamism of the policy process and the rapidly changing environment, both domestic and international, within which policy decisions are required.

As you are aware, there are many policies and programs within the federal area of responsibility that affect, directly and indirectly, the mineral system in Canada and its international dimensions. In turn, policies of individual provinces not only pertain to the responsible province. They affect other provinces and Canada as a whole. This interdependency of policies among areas of responsibility lies at the very core of Canadian mineral policy. Thus, we must seek to ensure that our policies are mutually reinforcing yet able to reflect variations in priority among provinces and territories.



which the federal government is responsible should be viewed by provinces, not as a constraint, but vehicles by which some provincial aspirations might be obtained. Should the federal government take a reciprocal viewpoint on provincial policies with respect to nationwide goals? For example, in the area of further mineral processing, the provinces have clear policy tools which are usually in their mineral acts. At the federal level, we are involved in tariff negotiations at GATT for easier access for more highly processed materials. The Export and Import Permits Act could also be viewed as a potential lever that you could influence. And there is the vehicle for regional mineral development agreements such as exist for Newfoundland, New Brunswick, and Quebec, and which are under current consideration as business arising out of the Western Economic Opportunities Conference (WEOC) last July.

Both the provinces and the federal government are striving for the same end results, namely to obtain optimum benefit from the present and future use of minerals. We mutually agreed to this policy goal last April. Even though we may not always agree on the most appropriate course of action, let us accept the challenge posed by conflict with candor and imagination.

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The interdependency of policies at both the federal and provincial levels of government dictates that we must continually strive to improve our consultative and co-ordinating mechanisms throughout the policy process. I sincerely hope that discussions held at this Conference will be instrumental in achieving this objective.



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